

PENGANA CAPITAL GROUP

Results
For the year to 30 June 2019

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Overview



Our Philosophy

We aim to generate superior long term returns with focus on capital preservation

- Leading provider of premium products
- Benchmark-unaware mandates; we don't aim to "beat the market" over the short-term
- Proven long-term performance over multiple funds
- Impose capacity limits across our strategies
- Focused on the higher end retail market; SMSF's, advisors and HNW's
- Robust and scalable institutional infrastructure and separation of duties
- Ability to attract and retain exceptional funds management teams
- Unique funds management business
- FUM of circa \$3.3 billion



Funds Under Management ¹

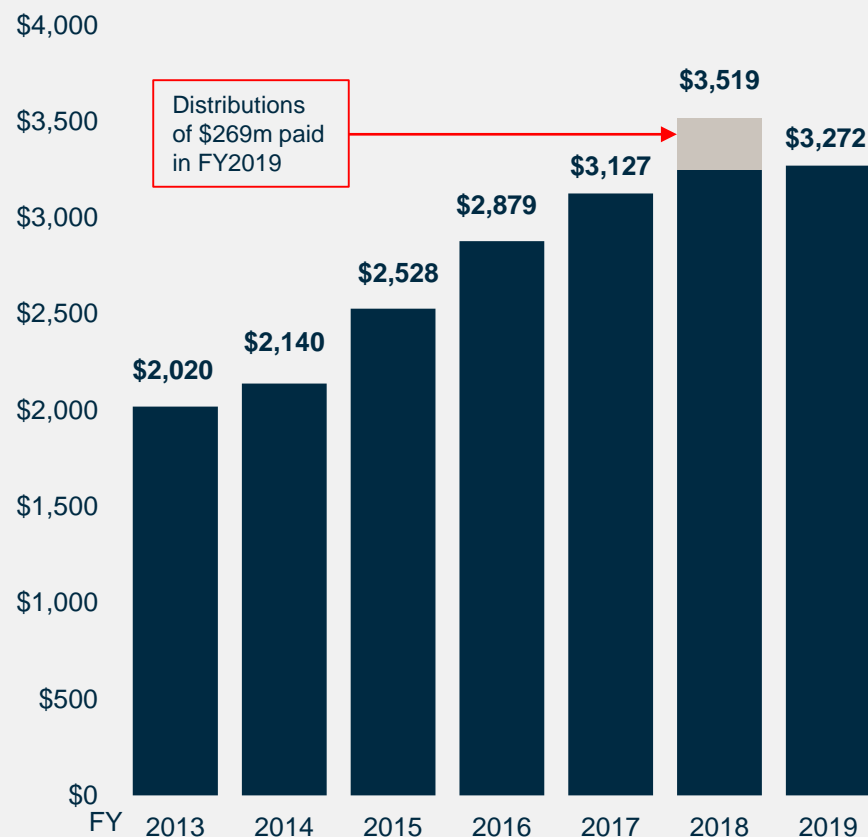
FUM relatively flat from prior year when taking into account distributions paid:

- Distributions at \$269 million larger than normal for FY2019
- Pengana Private Equity Trust (ASX: PE1) raised \$205 million in April 2019
- Growth from investment performance at \$71 million weaker than normal

Current environment does not favour active growth fund managers, both on an absolute and relative basis

Current environment not sustainable, as evidenced by markets in July and August

Historical Growth in FUM (\$m)²



1. The amount of funds under management can increase or decrease due to a range of factors including net fund flows, distributions to investors and investment performance. Past performance is not a reliable indicator of future performance. The reported FUM is prior to any distributions and dividends being paid to investors.

2. Combined Pengana and Hunter Hall FUM.

Funds Under Management ¹

Australian strategies account for 59% of FUM; was 67% at 30/06/18

International equity strategies expected to be the dominant segment within the medium term

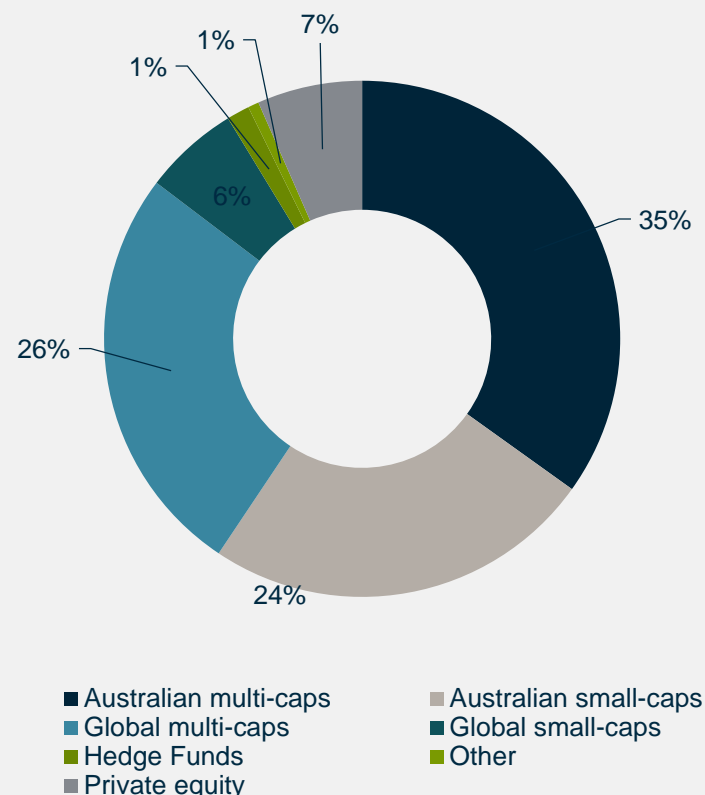
Significant further capacity in various International Equities strategies

- PIF: >\$6bn
- PGSCF: ~\$500m
- WHEB: ~\$700M

Substantial growth opportunity for Pengana Private Equity Trust

- FUM of \$220m at 31 July 2019
- Trading at a premium to NAV
- Strong investor demand
- Large capacity potential
- Further raisings possible

FUM Strategy Breakdown (30/06/2019)



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The reported FUM is prior to any distributions and dividends being paid to investors.

Diversified Range of Funds ¹

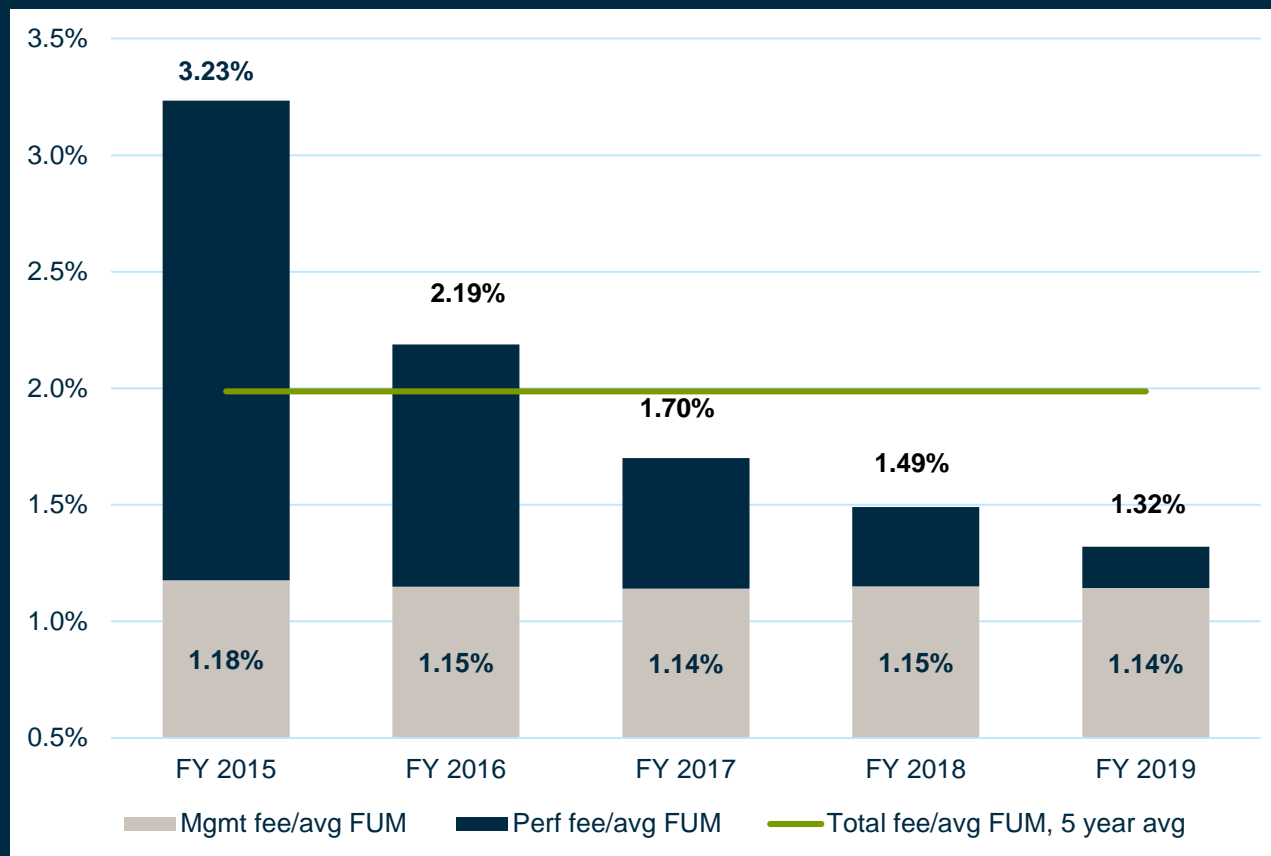
Acronym	Primary Fund Name	Strategy	Strategy FUM at 30/06/19 (\$m)	Management Fee; Performance Fee (Primary Fund) ²
PAEF	Pengana Australian Equities	Australian Multi-caps	1,126	1.0%; 10% ³
PECF	Pengana Emerging Companies	Australian Small-caps	801	1.3%; 20% above ASX Small Ords
PIF	Pengana International Fund	Global Multi-caps	504	0.97%; N/A
PIA	Pengana International Equities Ltd (LIC)	Global Multi-caps	313	1.2%; 15% above MSCI World
PE1	Pengana Private Equity	Private Equity	215	1.25%; 20% above 8%
PGSC	Pengana Global Small Companies	Global Small-caps	195	1.3%; 20% above MSCI AC World SMID
PanAgora	Pengana PanAgora Absolute Return Global Equities	Global Market Neutral	47	1.5%; 20% above RBA Cash
WHEB	Pengana WHEB Sustainable Impact	Global Impact Investing	33	1.32%; N/A
HCT	Pengana High Conviction Equities	High Conviction	22	1.76%; 15% above RBA Cash + 3% p.a.
PAEIF	Pengana Australian Equities Income	Australian Multi-caps	16	0.7%; 10% above 0%

1. The amount of funds under management can increase or decrease due to a range of factors including net fund flows, distributions to investors and investment performance. Past performance is not a reliable indicator of future performance.

2. Fees are expressed excluding GST as this reflects the fees that PCG will receive.

3. Performance fee changed during FY2019 from 10% subject to a hurdle of RBA Cash Rate to: 10% subject to a hurdle of RBA Cash Rate + 6% p.a.

Annual Fee Margin FY 2015 to FY 2019



Performance fees fluctuate over relatively short periods
Over the longer term, we expect a reversion to the mean

Recurring fee profit

	2019 \$m	2018 \$m	Variance \$m	Variance %
Management fee revenue	38.19	38.85	(0.66)	(1.7)
Net fund direct expenses	(3.38)	(3.28)	(0.10)	3.0
Operating expenses	(15.77)	(16.12)	0.35	(2.2)
Management fee profit share	(11.59)	(13.28)	1.69	(12.7)
Recurring fee profit	7.45	6.17	1.28	20.7
Key ratios				
Total expenses/management fee revenue	50%	50%		
Management fee profit share/management fee revenue	30%	34%		
Profit margin	19%	16%		
	100%	100%		

FY2019 shows a significant improvement in measures of profitability, with recurring fee profit up 21%

2 FY 2019 Results



Pengana Capital Group Underlying Profit After Tax¹

Pengana Capital Group Operating EBITDA (\$'000)	2019	2018
Management fee revenue	37,554	38,450
Performance fee revenue	4,909	11,580
Net fund direct expenses	(3,241)	(2,830)
Operating expenses	(17,229)	(16,610)
Team profit share	(13,891)	(18,750)
Operating EBITDA¹	8,102	11,840
Interest and investment income distributions	641	1,531
Interest on loan funded share plan	2,233	2,110
Underlying profit before tax	10,976	15,481
Income tax expense	(2,282)	(3,081)
Underlying profit after tax²	8,694	12,400
Basic earnings per share on underlying profit – cents per share ³	8.40	12.22

1. Source: Pengana Management Accounts

2. Source: Pengana Management Accounts

3. Calculated on 103,534,926 shares (i.e. including treasury shares) (2018: 101,481,448 shares)

Pengana Capital Group Statutory Profit After Tax

Pengana Capital Group Operating EBITDA (\$'000)	2019	2018
Underlying profit after tax¹	8,694	12,400
Add: Items excluded from underlying profit		
Non-cash amortisation and impairment	(3,437)	(3,140)
Non-cash issue of alignment shares to Pengana Private Equity Trust	(10,260)	-
Costs of establishing Pengana Private Equity Trust	(6,299)	-
Restructuring costs	(670)	-
Other non-operating items	71	-
Realised/unrealised fair value changes in investments (after tax)	(161)	(170)
Less: Items not included in Audited Annual Report		
Interest on Loan Funded Share Plan	(2,233)	(2,110)
Statutory profit after tax attributable to Pengana shareholders²	(14,295)	6,980
Basic earnings per share on statutory profit – cents per share	(17.76)	8.88

1. Source: Pengana Management Accounts

2. As per Pengana Capital Group Limited 30 June 2019 Annual Report

3. Calculated on 80,528,415 shares (i.e. excluding treasury shares) (2018: 78,628,294 shares)

Pengana Capital Group Balance Sheet¹

Pengana Capital Group Balance Sheet (\$'000)	30 June 2019	30 June 2018
Cash net of AFSL cash requirements	10,346	11,070
Current receivables	5,188	5,690
Current liabilities	(8,432)	(9,472)
Net working capital	7,102	7,288
Investments net of AFSL liquid asset requirements	9,163	12,118
AFSL capital requirements	8,200	10,000
Loans (on and off-balance sheet)	30,269	28,786
Other assets	1,504	1,770
Borrowings	(5,000)	-
Other non-current liabilities	(1,085)	(1,166)
Outside equity interests	(43)	(33)
Total non-current assets and liabilities	43,008	51,475
Net tangible assets²	50,110	58,763
Less: Off balance sheet Loan Funded Share Plan	(29,395)	(27,530)
Add: Intangibles	65,455	64,542
Add: Deferred tax	(5,770)	(6,080)
Net Assets as per Financial Statements³	80,400	89,695

1. Source: Pengana Management Accounts

2. Source: Pengana Management Accounts

3. As per Pengana Capital Group Limited 30 June 2019 Annual Report

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FY 2019 Highlights



Year to date in review

- Significant activities for the year:
 - Launch of the Pengana Private Equity Trust (ASX:PE1)
 - Further development of our International equity capabilities
 - Business restructuring to reduce costs and increase sales
- FUM relatively flat from prior year when taking into account distributions paid
- Recurring fee revenue margin up 21%

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Focus for FY 2020



Pengana Private Equity Trust (ASX: PE1)



Impact of PE1 on PCG earnings

The Trust has the potential to be a significant contributor to PCG's profitability:

- Profit contribution from base management fees estimated at 85-90 bps per annum
- Potential profit contribution from annual performance fees (not likely to be before year 2), of 20% of excess returns² over 8.0%.

Potential for substantial further growth over the coming years:

- Investors who were unable to subscribe for units in IPO due to timing or other temporary issues
- Increasing demand for PE as awareness improves and usage in portfolio construction becomes more common
- Importantly, additional AUM will only be raised if in the best interests of existing unitholders

		Potential Annual Performance Fee Profit Contribution at Return of ³ :				Potential Annual Total Profit Contribution at Return of ³ :			
NAV ⁴	Annual Base Fee Profit Contribution (at 85bps)	8%	11%	14%	17%	8%	11%	14%	17%
At \$200m	\$1.7m	0	\$1.2m	\$2.4m	\$3.6m	\$1.7m	\$2.9m	\$4.1m	\$5.3m
For each additional \$100m raised	+\$0.9m	0	+\$0.6m	+\$1.2m	+\$1.8m	+\$0.9m	+\$1.5m	+\$2.1m	+\$2.7m

“The net impact of PE1 raising is expected to be highly EPS and value accretive for PCG shareholders”

1. Proposed ASX code
2. Net returns of the Trust before charging Pengana's performance fee. The calculation of potential annual performance fee profit contribution assumes no prior accrued negative performance fee accruals resulting from prior underperformance.
3. These quoted returns are not forecast returns. We have merely listed potential profit contributions in the event the Trust was to derive the listed returns. As such, the listed returns are merely provided for illustrative purposes only.
4. Means Net Asset Value of the Trust.

International Equities Strategy

Pengana International Fund performance since inception to 30 June 2019¹

- ✓ Return since inception 9.7%² vs MSCI ACWI³ of 10.1%
- ✓ Generated index like returns while underweight the key driver of the market - large cap US tech stocks
- ✓ Attracting increased support from key gatekeepers

	Portfolio average weight	Index ⁴ average weight	Portfolio return ⁵	Index return ⁵
Region				
Europe ex UK	28.5%	14.9%	12.0%	5.4%
US	43.4%	56.8%	12.5%	11.1%
Sector				
Consumer Staples	14.6%	8.9%	12.5%	8.2%
Materials	12.4%	5.0%	11.8%	7.4%
IT	11.9%	13.5%	17.7%	17.6%
Financials	10.1%	18.0%	19.9%	6.0%
Market Cap				
USD 5bn - 10bn	13.7%	8.5%	11.8%	-0.4%
>100bn USD	22.1%	33.4%	10.9%	14.7%

Source: Pengana and Bloomberg

1. Net performance figures are shown after all fees and expenses, and assume reinvestment of distributions. Past performance is not a reliable indicator of future performance, the value of investments can go up and down
2. Inception 1st July 2015.
3. MSCI ACWI refers to MSCI All Country World Total Return Index in AUD
4. MSCI ACWI
5. Annualized total return in local currency

Focus Going Forward

- Substantial growth opportunity for Pengana Private Equity Trust
 - Trading at a premium to NAV
 - Strong investor demand
 - Large capacity potential
 - Further raisings possible
- Focus on growth in FUM for various International Equities strategies
 - Strong performance in context of aims of strategy
 - Perfect environment for this product
 - Increased support from key gatekeepers
- Continued focus on advised markets and to a lesser extent on direct markets
- Evaluate acquisition opportunities whilst being highly disciplined
 - A significant number of opportunities are presenting themselves

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THANK YOU



FOR MORE INFORMATION

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